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SÃO PAULO (BRAZIL) MARCH 31ST 1953

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ECONOMIC CONDITIONS: By far the most important event during the month in its possible influence on events to come was the election for Mayor of the City of São Paulo on March 22nd, in which the coalition candidate, representing the seven principal political parties, Labor and Conservative, supported by President Vargas, ex-Governor Adhemar de Barros, and Governor Lucas Garcez of São Paulo, was defeated by a candidate backed by only two parties, with few supporters, these being the Christian Democratic and the Socialist Parties. The winner's vote was 285,000 as compared with 115,000 for the Government's candidate. Janio Quadros, the winner, campaigned against everything: increase in cost of living, shortage of water, light rationing, etc., although offering no programmes of his own. He was helped considerably by high prices prior to the elections, when rice went up to Cr\$16.00 and Cr\$17.00 per kilo, beans the same to Cr\$30.00 a kilo, and the vote can be considered exclusively as a protest against all the governing parties in the country. It is surprising how little strength the well-regimented parties, the Partido Trabalhista Brasileiro, Getulio Vargas' Party, and the Partido Social Progressista of Adhemar de Barros, showed in this election, as it is customary for these two parties to swing the Labor vote in well-regimented droves of workers. Figures from Labor districts are interesting:

<u>District</u>	<u>Votes for:</u>	
	<u>Opposition</u>	<u>Gov't candidate</u>
Lapa	13,957	3,926
Brás	14,685	4,660
Moóca	14,273	3,762
Belém	14,935	3,982
Santana	14,925	4,824
Penha	11,721	2,488
Tatuapé	11,201	2,566
Ipiranga	15,022	3,822

These important Labor districts voted about 4 to 1 against the parties they were supposed to belong to. Such a strong protest vote will undoubtedly remind the Executives in the Federal and State Governments that the workers have finally wearied of conditions which have existed during the last two years.

It is to be hoped that these elections will also influence the procedure of the CEXIM (Export and Import Bureau of the Bank of Brazil). Sr. Colioloano Góis recently made some dogmatic statements which would indicate even greater tightening of controls on imports; in fact, his slogan seems to be, Put off imports as long as possible and over a period of time as long as possible, on which policy the new program which this Department will place in effect in July will be based. A spokesman for this Department has stated that, to avoid further arrears, 30% of the normal imports of strictly essential requirements for the country's basic industries will have to be reduced, and 50% of the normal imports of other products, including raw materials for non-essential industries. He also stated that after September, US\$9,000,000 per month will be required for servicing the US\$300,000,000 loan, which will come from the trade balance. All in all, the picture is very gloomy, but the carrying through of this program can only result in still higher prices, as shortages of raw materials will result in higher cost. Whether the Government is in a position to continue its policy of disregarding the consumer still longer is questionable after the last elections of the City of São Paulo.

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Following the elections, a number of strikes have broken out in the textile and metallurgical industries, and now carpenters and workers in the woodworking trades have followed suit. Employees of the City Transport Co. are supposed also to go on strike. There are exaggerated reports that as many as 180,000 workers are out, but the Department of Labor states that actually there are about 50,000 to 60,000 workers in these industries on strike. Textile workers are holding out for as much as 60% over actual earnings, and metallurgical workers are calling for Cr\$800.00 per month increase. These cases should be turned over to the Labor Courts for settlement within a day or two, at which time it is expected that an agreement will be reached, but the indication is clear that all workers are dissatisfied with their earnings and wage scales will have to be increased in general. Industrialists defend themselves, stating that they cannot increase wages much at present because of power curtailment and shortage of raw materials, which is cutting down their production. It is true at this time that General Motors have paid off 1,400 out of 3,300 workers, and Ford has laid off complete departments; Phillips RCA and other radio factories are closing down section by section as stocks are depleted, although the Carteira de Importação has promised them licenses after a deputation of workers visited President Vargas explaining the situation.

Weather conditions in the Interior have been good during March, and prospects are much better for the crops. There is no reason why cereals should not come down considerably in price shortly, as rice and beans were sold last year for about Cr\$7.00 and Cr\$8.00 a kilo and raised to Cr\$16.00 and Cr\$17.00 on the grounds of shortages, but these shortages will be over in April, when Goiás, Paraná and São Paulo crops come in. Rio Grande do Sul has an all-time record crop in rice. The new cotton crop is coming in in good shape, and it is reported that, of the first 1,000,000 kilos, 82% were equivalent to Type 5 or better. This is the result of the Government's policy of paying Cr\$82.50 per arroba for Type 5, and as low as Cr\$60.00 for inferior cottons. Last year when Cr\$85.00 was paid for any kind of cotton, the quality turned in was very poor, 87% being inferior grades, and the Banco do Brasil is now holding over 210,000,000 kilos in this State, or 1,130,000 bales, of low-grade cotton. The better grades contained in this year's crop will facilitate exports of cotton, even though it may become necessary to use up most of last year's poor crop locally. Exports over the past 5 years show the following figures:

1948	237,605 Tons
1949	132,939 "
1950	127,165 "
1951	124,671 "
1952	26,881 "

The coffee situation is also good for farmers. After the elimination of price ceilings in the United States, the local coffee trade shot prices up as high as Cr\$245.00 per 10 kilos, with the expectation of still higher prices, but these have now receded and the price in Santos at the end of March for Type 4 coffee was Cr\$220.00 as compared with Cr\$195.00 for the same type in January 1953. Apparently there has been a stiffening in the market in New York, causing a recession of prices here. Although

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the crop this year is not expected to be much larger than last year's, the condition of the trees is fine, and prospects for the next few years will be for much larger crops than in the past. Many new plantations are coming of age. There are no more abandoned coffee farms and fertilization is general. Coffee trees are in better shape than they have been in the last ten years and, if weather conditions are satisfactory, crops in the future will be larger. ✓

During the month many reports appeared in the local press to the effect that Sr. Euvaldo Lodi, President of the National Federation of Industries, had given a speech before the Brazilian-American Association in New York, in which he has sternly warned Americans as to the dangers of Communism in South America, and the need of greater aid to be forthcoming on the part of the U.S. Government. Sr. Lodi played his part well in criticizing the Good Neighbor Policy, but it should be remembered that he is one of the greatest exponents of import controls, and has had influence in refusing permits for any merchandise which is manufactured in Brazil. He has also on occasions stated that Brazil does not need foreign private capital, only machinery and technicians, especially from Europe. This is the type of mentality that has resulted in considerable inflation in this country and in high costs to the consumer. An illustration of his attitude is that, upon returning to Brazil, Sr. Lodi made a statement to the press to the effect that apparently there is no resentment about coffee price increases in the United States, which fact is known to be inaccurate and represents the policy of getting all you can for anything today and never mind the future. The fact that coffee prices have receded would indicate that Sr. Lodi was wrong in his statement.

Private capital increases in the country in February amounted to only Cr\$1,300,000,000, as compared to Cr\$4,300,000,000 in January, and Cr\$5,600,000,000 in December 1952. Apparently the rush to increase capital from reserves and re-valuation of assets at the end of the year has now slowed down, and most companies have benefited from the facilitations in the income tax law to increase capital by this means.

POLITICAL CONDITIONS: As mentioned above, elections for Mayor may be of considerable importance in determining the future policy of the President and the Governor in this State, as the protest was too loud to be ignored.

(New York, April 6th, 1953-AC)

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